

Message Text

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ACTION H-03

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FM AMEMBASSY ROME

TO AMEMBASSY BERN IMMEDIATE

INFO SECSTATE WASHDC 2563

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PASS CODEL ST. GERMAIN

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJ: CODEL REQUEST FOR FINANCIAL/ECONOMIC INFORMATION

REF : A. BERN 3345 OF AUGUST 12, 1975

B. ROME 7376 OF JULY 25, 1973

C. ROME A-644 OF NOVEMBER 9, 1973

D. ROME 10601 OF AUGUST 2, 1974

1. FOLLOWING ARE ANSWERS TO DATA REQUEST CONTAINED IN REFTEL
A, KEYED TO SAME LETTERING OF PARAGRAPHS AS IN REFTEL.

A. /GROSS DOMESTIC PRODUCT IN 1974/: 97,427 BILLION LIRE,
OR \$149.9 BILLION (AT \$1.00 EQUALS 650 LIRE).

B. /NATIONAL BUDGET EXPENDITURES/: 1975 EST. - 29,265
BILLION LIRE, OR \$43.7 BILLION. 1976 EST. - 36,874 BILLION
LIRE, OR \$55.0 BILLION (BOTH FIGURES CONVERTED AT \$1.00
EQUALS 670 LIRE).

C. /BUDGET DEFICIT/: 1975 ESTIMATE - 7,173 BILLION LIRE,
OR \$10.7 BILLION. 1976 ESTIMATE - 11,516 BILLION LIRE, OR
\$17.2 BILLION (BOTH CONVERTED AT \$1.00 EQUALS 670 LIRE).

D. /TOTAL NATIONAL DEBT/: END-1974 FIGURE FOR BOTH DOMESTIC
AND FOREIGN PUBLIC DEBT WAS 29,166 BILLION LIRE, OR \$43.5
BILLION (AT \$1.00 EQUALS 670 LIRE).

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E. /BALANCE OF TRADE (IMPORTS CIF)/: FIRST SIX MONTHS OF 1975 - 1,064 BILLION LIRE, OR \$1,681 MILLION AT \$1.00 EQUALS 633 LIRE.

F. /ANNUAL RATE OF INFLATION/: BASED ON AVERAGE COST OF LIVING INDEX FOR FIRST 7 MONTHS OF 1975, COMPARED TO FIRST 7 MONTHS OF 1974, INCREASE WAS 21.1 PERCENT. JULY 1975 INDEX OVER JULY 1974 INDEX WAS UP 17.0 PERCENT.

F. /SPECIFICS ON COST OF LIVING/:

1) COST OF GASOLINE (SUPER) - 300 LIRE PER LITER, OR \$1.69 PER GALLON, AT \$1.00 EQUALS 670 LIRE.

2) HOME MORTGAGE INTEREST RATES: ABOUT 13 1/2 PERCENT.

3) CONSUMER CREDIT INTEREST RATE: ABOUT 18-19 PERCENT.

H. /WAGE AND PRICE CONTROLS/: SINCE WWII, ITALY HAS CONSISTENTLY HAD PRICE CONTROLS ON LIMITED GROUP OF MAINLY FOOD ITEMS OF WIDE CONSUMPTION. FOR FIRST TIME IN POST-WAR PERIOD, MORE COMPREHENSIVE PRICE FREEZE WAS IMPOSED IN JULY 1973 FOR 90-DAY PERIOD. THIS WAS FOLLOWED BY PRICE CONTROL SYSTEM REQUIRING PRIOR APPROVALS FOR PRICE INCREASES FOR CERTAIN INDUSTRIAL GOODS UNTIL JUNE 30, 1974 AND FOR 21 WIDE-CONSUMPTION (MAINLY FOOD ITEMS) UNTIL JULY 31, 1974. (SEE REFS B AND C.) IN AUGUST 1974, NEW SELECTIVE PRICE CONTROLS WERE IMPOSED ON CERTAIN LARGE CONSUMPTION FOOD ITEMS, AND SYSTEM OF GENERAL SURVEILLANCE WAS ADOPTED FOR SOME ADDITIONAL ITEMS. MAIN ITEMS STILL UNDER PRICE CONTROL ARE CERTAIN TYPES OF: BREAD, OILS, MEATS, PASTAS, MILK, AND SALT AND SUGAR, AS WELL AS DETERGENTS. MAIN ITEMS UNDER PRICE SURVEILLANCE ARE OTHER TYPES OF: PASTAS, OILS, DAIRY PRODUCTS, MEATS, AND CERTAIN CANNED AND FROZEN PRODUCTS. (SEE REF D.) EMBASSY IS NOT AWARE OF ANY NEW GOI PLANS TO INTRODUCE ADDITIONAL PRICE CONTROLS. ITALY HAS NOT EXPERIMENTED WITH WAGE CONTROLS.

I. /RATE OF UNEMPLOYMENT/: AT LATEST QUARTERLY SURVEY OF STATISTICAL INSTITUTE, UNEMPLOYMENT AMOUNTED TO: 667,000, OR UNCLASSIFIED

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3.4 PERCENT OF LABOR FORCE. HOWEVER, IT IS USUAL TO ADD SHORT-TIME WORK (UNDEREMPLOYMENT) TO THESE FIGURES. SUCH UNDEREMPLOYMENT AMOUNTED TO 504,000. (SINCE ITALIAN UNEMPLOYMENT INSURANCE SYSTEM IS NOT VERY GENEROUS, WHILE WAGE SUPPLEMENT PAYMENTS FOR SHORT-TIME WORK ARE, SHORT-TIME WORK TENDS TO BECOME A SUBSTITUTE FOR COMPLETE UNEMPLOYMENT DURING PERIODS OF RECESSION.) THUS, TOTAL UNDEREMPLOYMENT PLUS UNEMPLOYMENT IN APRIL WAS 1,171,000,

OR 6.0 PERCENT OF LABOR FORCE.

J. /PRIME INTEREST RATE/:

-- CURRENT RATE ESTABLISHED BY INTERBANK CARTEL IS 14 PERCENT; HOWEVER, WE UNDERSTAND THAT RATE IS BEING SHAVED IN SOME INSTANCES.

K. /TAXES/:

1) PERSONAL INCOME TAX. PERSONAL INCOME TAX RATES VARY FROM 10 PERCENT ON INCOME UP TO 2 MILLION LIRE (\$2,985 AT \$1.00 EQUALS 670 LIRE) TO 72 PERCENT ON INCOME ABOVE 500 MILLION LIRE (\$746,269).

2) CORPORATE TAX. CORPORATE TAX RATE IS 25 PERCENT.

3) OTHER IMPORTANT INCOME TAXES:

--LOCAL INCOME TAX WITH MAXIMUM RATE OF 14.7 PERCENT IS LEVIED AGAINST INDIVIDUALS, PARTNERSHIPS, COMPANIES HAVING LIMITED LIABILITY, AND CERTAIN NON-CORPORATE ENTITIES. HOWEVER, WAGE AND SALARY INCOME IS EXEMPT, AS ARE DIVIDENDS OR OTHER PROFIT DISTRIBUTION WHEN SUCH EARNINGS HAVE BEEN SUBJECTED TO CORPORATE INCOME TAX.VOLPE

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